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ABSTRACT

The purpose of this booklet is to reinforce the thesis that the committee on directors of a foundation board must perform with excellence if the board as a whole is to fulfill its responsibilities with distinction. The committee's principal responsibilities include assembling the right mix of director talent, training and organizing that talent, judging director performance, and motivating and rewarding directors. This booklet contains an extensive discussion of typical committee responsibilities, an elaboration of organizing principles and practices, and a broadly inclusive list of implementing policies and practices. From this template, a board can design its own unique committee on directors, while being responsive to its history, culture, and governance expectations and those of the host institution. While there is no single model for the committee on directors, there are important principles to respect. Appendixes contain a board composition worksheet, the a director report card, and a director self-assessment sheet. (SLD)

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BOARD BASICS

FOUNDATION RELATIONS

THE COMMITTEE ON DIRECTORS

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BY E.B. WILSON
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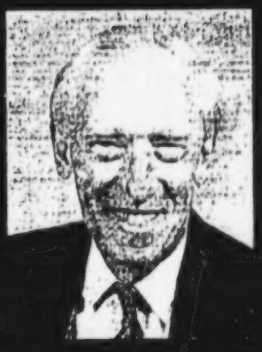

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The *Board Basics* Series provides information about board responsibilities in an effort to strengthen the contributions and effectiveness of trustees and governing boards. The series is intended to promote good policies and practices without necessarily representing or implying endorsement by the association or its members. Additional copies are available by calling the AGB Publications Department at 800/356-6317.

The Committee on Directors

No committee is more vital to foundation board performance than the committee on directors. Foundation boards require that directors exercise diligent, energetic, and professional leadership as they act as stewards of the financial resources of the foundation and as the locus of philanthropic support for the host institution. The quality of this stewardship contributes significantly to the successful management of the foundation's financial resources and to the vigor of cultivation and solicitation of new sources of funding. Few conditions are more damaging to a foundation's vitality than the apathy of an inert board of directors.

The committee's principal responsibilities include assembling the right mix of director talent, training and organizing that talent, judging director performance, and motivating and rewarding directors. The degree to which the committee successfully formulates, recommends, and executes an array of board policies and practices to accomplish these responsibilities is at the core of performance expectations for the committee.

The purpose of this *Board Basics* booklet is to reinforce the thesis that the committee on directors must perform with excellence if the board as a whole is to fulfill its responsibilities with distinction. While the text is not intended to be prescriptive, readers will find an extensive discussion of typical committee responsibilities, an elaboration of organizing principles and practices, and consideration of a broadly inclusive list of implementing policies and practices. From this template, a board can design its own unique committee on directors, while being responsive to its history, culture, and governance expectations and to those of the host institution.

THE MEMBERSHIP OF THE COMMITTEE MUST CONSIST OF THE MOST THOUGHTFUL, JUDICIOUS, AND RESPECTED DIRECTORS.

The name of the committee has changed over the years as its responsibilities have evolved. Once seen more narrowly as a nominating committee, it is now most commonly known as the committee on directors. Although there are early signs of further evolutionary development for the committee—toward an even more comprehensive, broadened role as a committee on board development or even as a board governance committee—the text of this *Board Basics* focuses exclusively on the current performance expectations for the committee.

Committee Charge

What is the core governance role of the committee on directors? Against what standards should the performance of the committee be measured? While mission ideas and concepts are more important than specific language, each foundation's committee on directors should write its own charge, with the following offered as a place to start:

> *The committee on directors is charged with determining the most effective composition of the board. It then develops practices and recommends strategies and policies that attract, orient, train, organize, motivate, and assess the performance of directors. Through its work, the committee provides the foundation board with the director resources that permit the board to exercise its responsibilities for foundation governance at the highest level of excellence.*

This charge incorporates several mission components, all of which will be examined in this booklet. In general, the charge should reflect these principles:

- Board composition is at the center of the committee's responsibilities.
- The overarching work of the committee is to develop practices and then recommend to the full board those strategies and policies required to fulfill the committee's responsibilities.

- The principal focus of these strategies and policies is on attracting directors and then on orienting, training, organizing, motivating, and assessing their performance.
- There is an essential link between the committee's work and the board's work and performance.

An early task of the committee, therefore, is to critically examine its current mission statement (or to prepare the first draft of a mission) and then test it to determine whether the statement accurately reflects the board's expectations for the committee.

Committee Leadership

The chair of the committee on directors must be administratively efficient, inspiring as a leader, assertively innovative, fully trusted by the board's leadership, and seen as apolitical by the board as a whole. Aside from the selection of the chair and vice chair of the board, there is no more important leadership designation for a foundation board to make. It would be fully consistent for a board to consider elevating the stature of the committee on directors by making it a principal responsibility of a vice chair of the board.

The membership of the committee must consist of the most thoughtful, judicious, and respected directors. An appointment to the committee should reflect and acknowledge exceptional board service. All gender, age, and ethnic components of the full board should be represented. Above all, there must be a premium on insightful, fair deliberation. The chair of the board must serve as an ex-officio member of the committee and be fully engaged in its agenda. Ex-officio, nonvoting membership also might include the president of the host institution and the chief executive officer of the foundation (or the institution's senior fund-raising professional).

Focus on Foundation Strategy

The committee cannot effectively begin its work before it and the board have a comprehensive understanding of the foundation's strategic direction. This requires that the committee, the board chair, and the chief executive officer of the foundation enter into a continuing and comprehensive dialog about the strategies the foundation will deploy to achieve its strategic mission. The underlying presumption is that the board chair, the chief executive officer of the foundation, and the college or university

president are working together as strategic leaders engaged in regular discourse to understand and plan for the congruence between the current and future resource needs of the institution and the capacity of the foundation to fund those needs. From these understandings, the board develops the strategic direction of the foundation—a critical determinant of the foundation board's composition.

Bylaw Provisions

To institutionalize the mission of the committee on directors, the foundation's bylaws should create the general landscape on which the committee will perform. The bylaws should confirm the committee's mission and governance responsibilities but leave room for the committee leadership to decide how those objectives are accomplished. It is preferable to risk an occasional overstepping of the committee's legitimate jurisdiction in exchange for a full, thoughtful, and unrestrained exercise of the committee's responsibilities. A bylaw provision might read as follows:

> *The committee on directors shall consist of no fewer than (____) members exclusive of the chairman of the board who shall serve ex officio.*
>
> *The committee shall develop a plan of board composition relevant to the strategic direction of the foundation. It shall recruit and recommend director candidates for election by the full board. It shall develop and recommend strategies, policies, and practices that orient, educate, organize, motivate, and assess the performance of directors.*
>
> *The committee shall assume such additional responsibilities as may from time to time be assigned by the board's leadership with the approval of the full board.*
>
> *The committee shall meet as necessary to fulfill its mandate, but no fewer than (___) times per year.*

Committee Responsibilities

The responsibilities of the committee are a continuum of practices and policies that begins with an understanding of the board's present and future needs for talent and extends through the post-board life of each director.

1. Design the board composition. The mission-central responsibility of designing the board's composition should begin with an analysis of the current board. A schedule similar to the one in Appendix A, regularly updated, will provide the following data:

- a baseline to record years of service as a director and each individual's gender, ethnic, geographic, and educational background;
- occupational credentials, showing for-profit and nonprofit experience, specific professional expertise, and board or governance experiences;
- an analysis of functional expertise and reputation;
- a confidential assessment of personal giving capacity;
- a confidential analysis of giving history;
- an analysis of each director's personal and professional spheres of influence.

Profile the board's composition three years out. The committee's goal is to build the best board possible, reflective of the aspirations of the institution. Address the following questions: What will be the effect on the board if its composition remains the same? Does the present board reflect the institution's constituencies and donor base? Is it appropriate to change the age composition of the board to represent a changing donor base? Is it appropriate to change the geographic profile? Can the gender or ethnicity balance be improved? What kinds of funds management and functional expertise will the board require? Is there a need for legal talent? How about the often-overlooked historical perspective for the foundation and the institution? Does the institution's strategy mean that a new capital or comprehensive campaign will be launched? Should, therefore, a higher level of fund-raising experience be added to the foundation board?

Does the board have the right balance of influence and affluence—the capacity to give and the skills to persuade? Does the pipeline of future board leadership contain sufficient talent to ensure a continuation of the foundation's professional vitality? Will anticipated retirements from the board leave significant talent holes to be filled with new directors?

These queries show the nature of the dialog that must occur between the committee and the foundation board. The committee's objective is clear: Develop a target composition against which to judge candidates and forecast the future composition of the board. Failure at this level of committee responsibilities can be damaging, not only to the achievement of the committee's mission, but also to future foundation board and institutional performance.

THE DIALOG ABOUT BOARD COMPOSITION SHOULD GENERATE UNDERSTANDINGS ABOUT WHAT ATTRIBUTES IN DIRECTOR CANDIDATES THE COMMITTEE SHOULD BE LOOKING FOR.

Some political systems, institutional charters, and foundation bylaws mandate foundation board composition by requiring that specific constituencies be represented in perpetuity. Although these requirements reduce the flexibility of the board to determine its composition, they do not alter the direct linkage between board composition and the fulfillment of the foundation's mission. It is incumbent on the committee on directors to hold all members of the board—regardless of the origin of their route to directorship—accountable to the other directors, to the foundation, and to the institution. All members should go through the same orientation program, work on committees and task forces, and be fully engaged. They can, in these ways, augment the talent profile of the board and contribute to the fulfillment of the foundation's responsibilities.

2. ***Write a statement of criteria.*** The dialog about board composition should generate understandings about what attributes in director candidates the committee should be seeking. These are broad-stroke understandings, responsive to the strategic desire to change the age, gender, geographic, or constituency composition or to bring specific professional talents to the board. The criteria statement can serve as a screening tool for the committee to use when it begins to narrow a long list of possible candidates down to a prioritized short list. Assigning numerical weights to each criterion is a further refinement to assist in ranking candidates.

3. ***Develop and manage a network of new director candidates.*** There are three steps here:

- *Build and screen the pool.* In effect, the committee should be engaged in a continuous search; it should maintain an inventory of candidates from a variety of sources. The foundation's board chair, chief executive officer, or senior fund-raising professional—through fund-raising activities, donor contacts, community projects, and professional associations—stays in regular contact with individuals who might fulfill the criteria for candidacy. Mid-level foundation staff members, for similar reasons, are well placed to bring forward biographical data for individuals who, in their judgment, might fulfill specific objectives for board composition.

  For a system campus without a governing board, the foundation board is key to the process. The full board must be informed of the composition objectives decided by the committee, and each individual director should be encouraged to bring forward recommendations. The institution's leaders should further supplement the network. The college or university president is a valued source of potential candidates through connections and activities with the alumni and the community. Finally, the members of the committee on directors themselves bear a primary responsibility for bringing forward director candidates.

  The screening of the raw list of candidates can then proceed in four steps:

  1. an analysis of biographical data;

  2. a review of supporting documents that describe the candidate's connection with the institution and interest in the mission of the foundation;

3. confidential communications with directors or other individuals familiar with the candidate's performance on other boards or in other voluntary activities; and

4. a confidential assessment of the candidate's philanthropic history and potential.

The pool generated by this screened network will consist of two lists: a long list of those candidates on whom the committee wishes to gather additional information and get to know over time and a short list of candidates who are in the center of the board-composition target. These candidates, ranked by the committee, now advance to be vetted by due diligence, cultivated as potential directors, and then asked to serve. There is an old axiom: The best predictor of future performance is past performance. It is wise to discreetly inquire about the candidate's quality of commitment on other boards.

- *Cultivate and ask candidates.* Each candidate on the short list requires a careful strategy designed to assess his or her interest, to develop or renew a connection to the institution and the foundation, and to anticipate what it will take to persuade the candidate to serve. No two cultivation exercises will be the same.

The committee chair, a committee member, a sitting director, and in some instances, the college or university president might make a first contact with a short-list candidate. Then, the candidate's interest in and compatibility with the mission and strategy of the institution should be cultivated and judged. A campus visit might be scheduled to include conversations with selected faculty and administrators and, of course, a meeting with the president who should articulate the institution's strategic vision with emphasis on a forecast of resource requirements.

This should be followed by expansive conversations with the chair of the foundation board during which the strategy and plans of the foundation—how it is designed to support the institution—are laid out for the candidate. This means describing an equation of demanding director work, strategic engagement, and a commitment of time and personal resources reciprocated by the rewards of service to the institution through service on the foundation board. This is an opportunity for candor and for telling a compelling story about being a director.

IF THE CULTIVATION SIGNALS ARE STILL POSITIVE AND THE CANDIDATE EXPRESSES COMFORT, THE RESPONSIBILITIES OF DIRECTORSHIP NOW SHOULD BE MADE EXPLICIT.

If the cultivation signals are still positive and the candidate expresses comfort, the responsibilities of directorship now should be made explicit. A written statement of director responsibilities might be shared with the candidate, followed by a discussion with the committee chair. Expectations for personal philanthropy must be precise, clearly articulated, and included in the statement of director responsibilities. The operative principle here, whatever the board's policy might be, is that the conversation with the candidate must leave no room for later surprises. This also is the opportunity to loop the candidate back to the board chair or other directors to ensure that all open questions are answered. Finally, the committee chair should determine that the candidate, if asked to serve, will respond affirmatively.

The dialog now should be on the high road. The chair and the candidate should go over the expectations of directorship, seek clarifications if necessary, confirm the responsibilities of directors, describe (from the chair's perspective) the agenda of critical initiatives currently before the board, and explain what strategies and goals for the foundation are on the horizon. The board chair should close by telling the candidate that his or her name will be proposed at the next board meeting and that the chair will call soon after to inform the candidate of the action taken.

- *Make recommendations to the board.* This is an opportunity for the committee to reinforce its mission with the full board. Biographical data for each candidate should be made available to each board member in advance of election. The committee chair should make the motion to elect the new director and allow discussion not only to

review the candidate's qualifications, but also to add, perhaps anecdotally, some human texture. The board chair and directors who have met with the candidate should have the opportunity to review their conversations. The committee chair should connect the candidate with the board-composition strategy by linking the candidate's background and experience to the criteria statement of forecasted talent needs.

4. Develop and manage an orientation program for new directors. Orientation for new directors begins when the board chair puts down the phone after the welcoming call. It should be executed in five phases.

- *Provide a briefing package.* Within a few days, the new director should receive briefing materials and a letter of welcome jointly signed by the board chair and the committee chair. Include a broad collection of materials relevant to director responsibilities such as bylaws, board meeting agendas and minutes from the past year, financial schedules, strategic-planning documents, and articles authored by the institution's president that focus on campus life. Most important, include those components of the institution's strategic plan or priorities that drive the foundation's fund-raising goals and fund-management strategies.

- *Assign a mentor.* The letter also should announce the new director's mentor. Mentors should be sitting directors with sufficient years of service to know how the board works—its curiosities and idiosyncrasies. They should be among the best performing directors, willing to help new directors surmount the learning curve. This might mean a phone call prior to board meetings in the first year of service to help the new director understand the agenda of work that is anticipated by the premeeting mailings. Communication with the mentor following each meeting also is critical. The objective is to help the new director understand what was accomplished, to review how the board reached its conclusions, and to answer any questions.

  Not to be forgotten is the need to train mentors. Prepare a short statement of responsibilities and include a suggested calendar of mentor-new director contacts that covers at least the first year of director service.

- *Implement a formal orientation program.* This should be a high-profile program attended by the board chair, the institution's president, the foundation's chief executive officer, and the new director's mentor. The following agenda accomplishes the full scope of orientation objectives:

1. *Discussion of responsible directorship.* Communicate a model of director conduct that makes precise the expectations for commitments of time, talent, and resources. A "tone" should be established about the performance expectations for directors. Today's volunteer directors assume responsibilities that meet the highest standards of professional commitment.
2. *Overview of specific institutional strategies.* Isolate the principal components of institutional strategy and bring the new director up to date on funding progress made and hurdles to overcome. Demonstrate how the overarching work of the foundation board is focused on (1) funding the fulfillment of the institution's mission and strategic vision; (2) acting as the depository of gift income, manager of the assets, and distribution agent of the resources; or (3) performance of all these responsibilities for fund-raising and fund management.
3. *Overview of foundation strategies.* With increased specificity, review the foundation's strategic plan and the supporting goals and objectives for managing resources and attracting new support for the institution's strategic needs.
4. *Overview of current priorities.* Alert the new director to funding priorities coming through the foundation pipeline that will require board attention.
5. *Briefings by foundation staff.* Facilitate a discussion with senior staff members about their functional responsibilities, citing examples of how the board and individual directors interface with those responsibilities.
6. *Conversations with institutional leaders.* Either within the orientation program or on separate occasions, create opportunities for the new director to understand the scope, scale, and character of the major components of institutional strategy that drive the foundation's responsibilities. Conversations with the president, senior staff, faculty, and student leaders will add color and texture to the new director's understanding.
7. *Campus tour.* Schedule time to walk the campus. Focus on programs and projects that illustrate strategic-funding initiatives that already have been accomplished, are currently underway, or are contemplated for foundation support.

- *Get the new director started.* The first board meeting and the subsequent first year of directorship can determine a director's early effectiveness and long-term success. Carefully consider the new director's committee assignments. Professional background, experience, and expressed interests often lead to committee memberships that are focused on functional disciplines, such as investment and audit. However, don't miss the opportunity to connect the director to less formal responsibilities such as helping the staff build a strategy to reach a new donor base. And keep the new director connected to the institution and the foundation's funding priorities through various involvements with campus life. Finally, making certain that the new director is socially integrated typically is the responsibility of the mentor; making introductions, engaging in conversations, and offering other entrees to the social culture of the board are important to getting the director started.

- *Give the new director essential tools.* Consider developing a new-director's "toolbox," a simple, indexed loose-leaf notebook. The toolbox might include materials commonly used by all directors, along with customized information for director-specific tasks. It might contain:

  —An annual schedule of board meetings and events that directors should commit to their personal calendars;

  —Fact sheets about the foundation and institution with suggested answers to frequently asked questions;

  —Information about each school and program within the institution;

  —Quick references to institutional priorities and strategic plans;

  —Directories of board members, foundation staff, the institution's trustees, and officers of the alumni association;

  —Tips on prospecting or how to prepare for a fund-raising call;

  —Standard forms and guidelines commonly used by all directors;

  —Miscellaneous and occasional items that keep the director informed about the board, the foundation, and the institution; and

  —Imprinted stationery with model wordings and advice on when and how to use them.

5. *Assess director performance.* No other responsibility of the committee so tests its image with the board. Director performance assessments must be seen as fair and objective, free and untainted by board politics. The process must be carefully constructed to fit each board's culture, but attention to a few basic principles might be useful:

DIRECTOR PERFORMANCE ASSESSMENTS MUST BE SEEN AS FAIR AND OBJECTIVE, FREE AND UNTAINTED BY BOARD POLITICS.

- *Fair and measurable criteria.* Directors should know the criteria they must fulfill in order to be judged as meeting the expectations held for all directors. Some boards keep the criteria short and simple: a minimum attendance rate, active participation in the work of the board, and follow-through on philanthropic responsibilities. At the other end of the experience spectrum, boards assign highly specific annual performance goals to each director. These then become the more precise criteria against which performance is assessed. The "Foundation Director Report Card" [see Appendix B] is a self-reporting mechanism that places responsibility for performance assessment on the director. It repeats the expectations for each director when joining the board and goes on to measure personal philanthropy and gift-solicitation activities. Whatever the approach, the committee should periodically review the criteria. Ask the following questions: Do the criteria continue to reflect the board's expectations? Is the bar set high enough? Do we need to be more explicit?

- *A known and routine assessment schedule.* Two assessment points are appropriate: at the end of the first year of directorship and in the final year of the director's current term.

  Checking in with the director at the end of the first year follows from the earlier discussion about getting the director off to a productive start. Find out whether the new director feels involved and committed. Does he or she have any ideas for how the board can do a better job? Any thoughts about future committee assignments? Is the board making the fullest possible use of the director's talents and experience?

The end-of-term assessment should be more balanced and directed. The director should have the same opportunity to express satisfaction or concern about board and personal performance. The committee should use the end-of-term assessment to help reach an objective conclusion about renominating the director for a succeeding term. The discussion of performance should be shared equally among developmental goals, helping the director to improved performance and making mutual judgments about whether the director continues to fit within the plan of board composition.

If director terms are long, say five or six years, there also is room to include a mid-term performance assessment. Here, as with the end-of-term review, the objectives of trustee development and early judgments about renomination can be combined.

- *Self-assessment as a centerpiece.* There is a greater perception of fairness and an enrichment of the dialog when performance assessments center on a director-prepared self-assessment. Self-assessments often are remarkable for their candor, which enhances the opportunity for a substantive developmental conversation. Self-assessments also give the director time for reflection about the performance of the board. Thoughtful ideas for improving board performance are derived from this process. See Appendix C for a short self-assessment form designed to be used at the end of the first year of foundation directorship.
- *A high-level dialog.* Performance assessments are an important component of a board's culture. Their importance is best confirmed by the participation of the board chair together with the committee chair and the director. In-person, face-to-face assessments are best, but telephone conversations are a reasonable substitute.
- *Post-assessment reviews.* Following completion of each performance assessment, feedback must occur at two levels and is optional at a third:

  —*Before the committee.* This should be a full and candid reflection of the principal issues exposed by the assessment and of the conclusions reached by the director, the board chair, and the committee chair.

  —*Before the full board.* Keep the board informed about the work of the committee, the workings of the assessment process, the schedule, and the content—but do not reveal the confidential aspects of the dialog.

—*Before the foundation's chief executive officer.* For some foundations, this step might be optional, but value can be found in including the chief executive in the feedback loop.

—*Before the host institution's chief executive officer.* This, too, might be optional for some foundations, but including the college or university president in the assessment process can encourage closeness and make an important connection between the two institutions.

6. *Decide whether to renominate sitting directors.* This is one of the most difficult and sensitive committee responsibilities. The tools with which to arrive at dispassionate judgments have been identified: (1) the board composition plan, (2) the criteria of director attributes derived from the composition understandings, and (3) the results of the performance-assessment process. The need for informed discipline is as important for considerations of renomination as for judging the credentials of prospective directors. Failure to uniformly and even-handedly apply rules that govern director tenure can erode the trust that binds board members, create a culture of ins and outs, and serve to demoralize the board. The obstacles to achieving this level of apolitical discipline are often beyond the reach of board leaders. Refuge in retirement policies—some form of term limits, for example—is a common solution. [A fuller discussion can be found on page 19 under "Policies and Practices."]

7. *Anticipate future board leadership.* The committee's analysis of future talent needs should anticipate periodically turning over the board's leadership responsibilities. Monitoring the performance of new directors helps mark leadership potential. Performance assessment can focus on testing the willingness and readiness of sitting directors to move into leadership positions. The committee can influence the quality of future board leadership when it charts standing-committee chair rotations, appoints committee vice chairs, appoints leaders of ad hoc committees, and nominates vice chairs of the board.

GENEROUS RECOGNITION OF EXCEPTIONAL SERVICE DURING A DIRECTOR'S TENURE SHOULD BE A REGULAR PRACTICE.

8. *Motivate directors.* Directorship has evolved from an ill-defined quasi-hobby into a demanding, time-consuming commitment. However, never forget the central fact that directors are volunteers. The committee, through the exercise of its own responsibilities and through its observation of board and standing-committee operations, should function as a barometer of the board's morale. Generous recognition of exceptional service during a director's tenure should be a regular practice. Make it personal, board chair to director, and when appropriate, make it public, before the full board and professional staff. And when directors retire from the board, mark the occasion with oral praise, written citations, and symbolic retirement gifts. The rewards of directorship are sometimes elusive and almost always intangible. Don't miss opportunities for recognition; it motivates the entire board.

9. *Develop programs that continue the commitment of former directors.* Directors devote years of their time and generous portions of their personal wealth. They do this because they feel connected to the foundation and the institution—physically, intellectually, and emotionally—through the exercise of their responsibilities. It makes good sense for the institution to find ways to cement these relationships when directors retire from board service. Two programs can meet this objective:

- An *emeritus class of former directors*. This is the classic program that recognizes long and distinguished service and, through continued presence within the board culture, affords a measure of connectedness. There are, however, important policy issues to consider. How long is *long service*? And what constitutes *distinguished service*? Boards must set criteria. Length of service can be defined as a minimum number of years as an active director. Judgments about the quality of service, while subjective, might be influenced by the retiring director's past as a committee chair, an officer, or an important opinion leader. It is not inconsistent to allow past and future philanthropy to be part of the

emeritus calculation. Another policy issue might be the degree to which emeriti play a governance role. Do they attend committee meetings? Do they have a vote in those committees? Are they invited for nonvoting participation in executive sessions of the full board? How the committee sorts through all of this will determine the quality of the emeritus program and its success as a motivator for former directors.

- *An exclusive program for former directors.* For retiring directors who are not tapped for emeritus status, program options are numerous: special on-campus or off-campus events hosted by the board chair and the institution's president, annual briefings on the "state of the foundation and the institution," or service on ad hoc oversight committees convened by the president, to name a few. The ideas are endless; the only principle to keep in mind is that former directors are a resource that deserves sustained cultivation.

10. Respect the bylaws. Certainly the bylaws define the responsibilities of every committee of the board, but no other committee is so intimately connected to their many facets as the committee on directors. This committee sets the broad parameters of board performance by determining who the directors are, how they will serve, and under what policies and practices. It is incumbent on the committee to assume responsibility for acting as the conscience of the board to continually judge whether the bylaws fairly and accurately reflect current board practices.

Committee Structure

Having discussed the importance of careful selection of the committee's leadership and its members, it is now appropriate to discuss various principles and practices for organizing and staffing the committee.

- ***Committee size.*** The quality of the dialog is more important than the committee's head count. Active, spirited discussion by experienced directors thinking from a variety of perspectives is the ideal. Seek gender and age balance as well as trustees with fair and judicious temperaments. In addition to ex-officio members, a committee size of five to seven can usually do the job.

- ***Rotating the membership.*** Don't let the committee become an unchanging enclave of director privilege. Without compromising the criteria for membership, cycle directors on and off the committee to ensure a balance between desirable continuity and fresh perspectives.

- ***Frequency of meetings.*** The work and responsibilities of the committee require time and energy. For committees engaged in the early stages of developing strategies, policies, and practices, six meetings a year might be the minimum. Once protocols are in place, quarterly meetings should suffice. These can be a combination of meetings held contiguous with regular board meetings and sessions done by telephone or online.

- ***Meeting agendas.*** A typical agenda should reflect the committee's responsibilities. Board composition must be the central issue. Agendas might respond to these or other questions: Are there reasons to change earlier conclusions about the design of the board's membership? Does the statement of criteria need updating?

  The agenda should address the committee's responsibility for managing the process that brings forward director candidates. Are there names to add to the "long list" of candidates? What is the status of the "short list"? What will it take to complete the process so that a candidate can be recommended to the board?

  Then move on to verifying that other committee responsibilities are proceeding in good order. When is the next scheduled orientation program? Is its design satisfactory? What is the current schedule for director performance assessments? Are assessment reports scheduled for this meeting?

  Finally, agenda time also must be allocated to the strategies, policies, and practices associated with committee responsibilities. These are numerous, often vexing, and time consuming. But they are the cultural glue that binds the workings of the board, and they are an important determinant of the board's integrity.

- ***Staffing the committee.*** Careful attention must be given to the construction of committee agendas, policy statements, the content of programs, schedules for director performance assessments, the cultivation process for "short list" director candidates, and recognition events

ACTIVE, SPIRITED DISCUSSION BY EXPERIENCED DIRECTORS THINKING FROM A VARIETY OF PERSPECTIVES IS THE IDEAL.

for exceptional director service. Most of this must be packaged for premeeting mailings to committee members. The list of staff work is long, and the room for error is narrow. A staffing team can help absorb some of this heavy workload. The foundation's chief executive should serve as point person, and the team should be filled out with the active participation of ex-officio committee members, working closely with the committee chair and vice chair.

- *Reports to the board.* Much of the committee's work is confidential and privileged information. However, it is a mistake to allow the committee to become a "mystery" to board members at large. In addition to reporting to the board about such topics as the future direction of the board's composition and confirmation that director performance assessments were conducted, the committee chair should find regular opportunities to inform the board about the committee's current priorities.

Policies and Practices

The policies and practices *recommended* by the committee on directors play a significant role in shaping the culture of the board and its environment for effective directorship. The preceding discussions identified a number of issues requiring policy formulations and the design of good practices. Those, together with the issues that follow here, form an important body of policies and practices through which the committee and the board exercise their responsibilities.

The issues raised below are provocative. They are framed as questions to consider; there are no right or wrong answers. What the committee concludes and recommends should be reflective of each board's distinct personality.

- ***Should the committee recommend director term limits?*** How else can the board regularly refresh its talent base? Is there the political will to execute a term-limit policy with discipline, fairness, and uniformity? Does a mandatory one-year-off rule cause more problems than it solves? Are there alternatives to term limits? Are there ways to set unambiguous expectations for length of service with the understanding that strategic exceptions are occasionally necessary? Can this be accomplished with transparent fairness and clear criteria?

- ***Should the committee recommend a mandatory retirement age?*** Does this restrict the committee's ability to consider late-career but highly promising candidates? If you have term limits, do you also need an age limit? If you don't have an age limit, does the board risk the negative perception of cronyism?

- ***Should the committee recommend shorter or variable terms?*** Is the average term length of four years the best practice? Is it reflective of the possibility that sometimes a new directorship just doesn't work out? Do virtual automatic renewals for successive terms create expectations that do not serve the board well? Would ascending terms—two, three, five or two, four, four—encourage earlier and more effective performance assessment discipline?

- ***Should the committee recommend a policy for individual director financial support?*** Is this the way to reinforce the institutional need for director philanthropy? Should policy guidelines be general and philosophical, or should expectations for giving be specific and quantitative? What belongs in a policy statement, and how much should be left to customized conversation with each director?

- ***What should be the committee's policy position concerning ex-officio board members?*** Should the institution's president be an ex-officio member? With or without voting privilege? Are there any institutional or foundation constituents whose leadership should have ex-officio status?

- ***Should the institution's governing board members be candidates as foundation directors?*** Are the *pros* of connecting the foundation to the institution offset by the *cons* of constricting the committee's flexibility to fill open foundation seats with broad and diverse talent? Would the practice open the political floodgates typified by campaigning for open director seats to be filled by trustees? Can "connectedness" between the institution and foundation be achieved in other ways?

- ***How about ex-officio members of board committees?*** Should the board chair and chief of staff be ex officio to all committees? What about other officers?

- ***What should be the committee's policy position on the choice between directors who "give" and directors who "give and also meet their board performance responsibilities"?*** Can the board culture tolerate directors who are generous with their personal wealth but who are less effective with their professional contributions? Can the board culture condone exceptional board performance in the absence of philanthropy? Is this a necessary choice? Are there ways to optimize the potential for philanthropy without compromising the quality of board service by individual directors?

- ***What should be the committee's policy position on director conflict of interest?*** What form should a formal conflict-of-interest policy take? What should be the content of a conflict-of-interest declaration? Do all directors execute it? Do certain conflicts bar an individual from serving as a director? What provisions should be made for recusal?

Conclusion

The work of the committee on directors shapes the character and culture of the foundation board. No other board committee has this same intensity of mission focus, one that weaves the strategic responsibilities of the foundation together with the selection, training, and organizing of the foundation's directors. The burden of these responsibilities should not be underestimated. They are time consuming, and there is little room for trial and error. There is no single model for the committee on directors, but there are important principles in play. Getting it right the first time is essential to building and sustaining the committee's level of trust with the board. If the committee fulfills its responsibilities with excellence, it will leave a legacy of sound stewardship and exemplary board leadership.

APPENDIX A

BOARD COMPOSITION WORKSHEET

	Current Board Profile	Last Class Elected	Ideal Next Class	Ideal Profile in 5 years
Age				
70 and over				
60-69				
50-59				
40-49				
30-39				
Under 30				
Gender				
Male				
Female				
Ethnicity				
White				
African American				
Asian American				
Latino/Hispanic				
Native American				
Other				
Area of Expertise				
Business				
Education				
Government				
Health/Medical				
Technology				
Executive Management				
Entrepreneur				
Finance/Investments				
Legal				
Marketing/PR				
Fund Raising				
Gift Planning				
Other				

APPENDIX A

BOARD COMPOSITION WORKSHEET

(continued)

	Current Board Profile	Last Class Elected	Ideal Next Class	Ideal Profile in 5 years
Geographic Distribution				
Southeast				
Northeast				
Midwest				
Northwest				
Southwest				
Institutional Relationship				
Alumni				
Parent				
Faculty/Staff				
Friend				
Other Boards				
Advisory Councils				
Awards				
Other				
Length of Service on Board				
Over 10 years				
5-10 years				
2-5 years				
one year or less				
Other				
History of Giving				
Annual				
Campaign				
Special projects				
Other				
Director, Public Corporations				
Director, Private Foundations				
Elected Official				

APPENDIX B

FOUNDATION DIRECTOR REPORT CARD

[Adapted with permission of the East Carolina University Foundation]

The foundation's mission is to raise, manage, and distribute private resources for the benefit of students and the university. Our work constantly improves the quality of the university and heightens its prestige. When we joined the board, we acknowledged a set of expectations that described minimum levels of involvement. The committee on directors thought a periodic self-review of our activities would be helpful. Your thoughts about the process will be welcomed. Please complete and return to the committee on the directors in the attached envelope.

Sincerely,
(Committee Chair)

Directions: Please indicate your responses in the column(s) to the right of each item, using a "Y" (yes), "N" (no), or "P" (pending). Please address any comments or notes for follow-up in the "Notes" panel, indicating the item number and your thoughts.

Meeting/Event Attendance	**Yes**	**No**	**Pending**
1. Attended board meetings			
• Fall			
• Winter			
• Spring			
2. Attended committee meetings			
• Meeting			
• Meeting			
• Meeting			
3. Attended new member orientation session			
4. Attended other university-sponsored events			
• On campus (list favorites)			
• Off campus (list favorites)			

FOUNDATION DIRECTOR REPORT CARD

(continued)

Foundation Participation/Support	Y	N	P	Contact Me
5. Made annual gift to academic programs, Chancellor's Circle, or Foundation Fellows				
6. Made a gift to the current major campaign				
7. Served as a campaign volunteer in a leadership position				
8. Included the university in my estate plan				

Gift Solicitation/Stewardship	Y	N	P	Contact Me
9. Identified and informed staff members of potential prospect(s) for gifts				
10. Made solicitation call(s) individually or with another board member/university representative				
11. Actively cultivated potential donor(s) and/or participated in stewardship of donor(s)				
12. Set up gift-cultivation calls for university staff/volunteers				
13. Wrote personal letters/notes to acknowledge gifts				

FOUNDATION DIRECTOR REPORT CARD

(continued)

University Promotions	Yes	No	Pending
14. Provided information to other individual(s) or firm(s) concerning:			
• Admissions			
• Scholarship campaign			
• General questions/interest			
• Gifts			
• Programs			
15. Sought additional information on campus programs/events			

Other Activities	Y	N	P	Contact Me
16. Hosted an event in home, club, or other venue				
17. Thanked a faculty member, staff member, or volunteer for excellent work				
18.				
19.				
20.				

What can we do to improve your experience or the overall effectiveness of the board?

APPENDIX C

DIRECTOR SELF-ASSESSMENT

(End of First Year)

(Except as otherwise shown, each of these queries provides for a "yes," "no," or "somewhat" response.)

Background

- Do you have a clear sense of your obligations and responsibilities as a director?
- Do you have a clear grasp of your board's responsibilities?

Orientation and Mentoring

- Did the new-trustee orientation program meet your expectations?
- Has the mentor program been helpful during your first year as a director?
- Please suggest ways to improve both the orientation and mentor programs.

_____

_____

_____

Knowledge of the Institution

- Are you familiar with your institution's history and what makes it distinctive?
- Are you familiar with the institution's mission, priorities, needs, and policies?

DIRECTOR SELF-ASSESSMENT

(continued)

Board and Committee Meetings

- Are you pleased with your attendance record and level of participation at board and committee meetings?
- Please mark with an "x" (1) those committees you presently serve on, (2) your areas of expertise, and (3) areas of future interest.

	Currently Serve	*Expertise*	*Future Interest*
Audit	☐	☐	☐
Compensation	☐	☐	☐
Development	☐	☐	☐
Finance	☐	☐	☐
Investment	☐	☐	☐
Real Estate	☐	☐	☐

- Please comment on any aspect of your background and experience that might be of assistance to the board or one or more of its committees.

_____

_____

_____

_____

DIRECTOR SELF-ASSESSMENT

(continued)

General Comments and Concerns

- Have you made annual and campaign gifts according to your means this past year?
- Are you clear in understanding the foundation's need for personal philanthropy from each director?
- Have you found directorship to be stimulating and rewarding thus far?
- Have you found it difficult to arrange your time commitments so as to include effective work as a director?
- Please comment on any ways that the board's effectiveness might be enhanced and, where appropriate, how you might contribute to that enhancement.

_____

_____

_____

_____

I acknowledge that I have reviewed and understand the requirements and conditions of the statement of commitment and responsibilities adopted by the board of directors.

Date: _____ *Signature:* _____

Resources

Houlihan, Jim. "Commentary: Judging Our Peers," *Foundation News and Commentary*, Vol. 39, No. 3 (May 1998).

Kuzneski, Anthony R. and Larry R. Panala. "Chapter 8: Capitalizing on the Talents of Foundation Directors," *College and University Foundations: Serving America's Public Higher Education*. Washington, D.C.: Association of Governing Boards of Universities and Colleges, 1997.

Mintz, Joshua, Denise Cavanaugh, and Jane Pierson. *Self-Assessment for Foundation Boards*. Washington, D.C.: BoardSource, 2000.

Mulreany, Robert. "Foundation Trustees—Selection, Duties, and Responsibilities," *UCLA Law Review*, Volume 13, No. 4 (1966).

Phelan, Joseph and Associates. *College and University Foundations: Serving America's Public Higher Education*. Washington, D.C.: Association of Governing Boards of Universities and Colleges, 1997.

Simic, Curt R. "The Role of the Foundation Board," Board Basics. Washington, D.C.: Association of Governing Boards of Universities and Colleges, 1998.

This publication is part of ***Board Basics***, an AGB series devoted to strengthening the effectiveness of governing boards and trustees. Board Basics comprises several topic clusters—The Fundamentals, Effective Committees, Financial Matters, Foundation Relations, Fund-Raising, The Board Chair and President, and Strategic Decisions—each of which contains several booklets. Several assumptions underlie the series:

- The responsibilities of academic trusteeship are often ambiguous. Trustees need concise, accessible, and focused information to help them carry out their complex fiduciary and stewardship responsibilities.
- Basic principles of trusteeship remain constant across higher education, regardless of institutional type, size, and mission. The series highlights these general principles to provide trustees with a core of knowledge they can apply to their individual institutions.
- The series addresses the distinguishing characteristics of academic trusteeship, especially as it differs in scope, substance, and focus from corporate directorships and other board service.

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